MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BAC3654 – PROFESSIONAL ETHICS

(All sections / Groups)

18 FEBRUARY 2023
9.00 – 12.00
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **3** pages (excluding the cover page) with **4** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Honda Malaysia has issued a product recall for 49,116 units of the Odyssey (2014-2017 model) and Accord (2013-2016 model) for faults in the makes involving battery sensor failure and a defective door mirror component. Honda said 20,233 units of the Accord are being recalled due to inaccurate forming on the printed circuit board in the battery sensor during the production process.

"This may cause electrical short circuit of the sensor, and possibilities of smoke coming from the hood or, in the worst case, a fire," it said in a statement issued yesterday. Meanwhile, 27,912 units of the Accord and 971 units of the Odyssey are being recalled for a defective door mirror component. The defective door mirror component is due to inconsistent surface treatment of the movable contact area inside the door mirror retracting switch, which may cause the affected door mirror to retract during driving or parking," the statement said.

Honda said it has sufficient stock for current replacement requirements for both the battery sensor and defective door mirror component, and requests affected customers to make an appointment with an authorised dealer. All affected customers will be informed via notification letters, which will include details of the product recall. Any charges related to the product recall will be borne by Honda Malaysia.

"Honda Malaysia strongly encourages all affected customers to replace the defective battery sensor as it may become a fire hazard, and the door mirror component for a safer drive. Our risk committee team works excellently. Our risk committee assists the Boards in the fulfillment of its governance functions fully and efficiently" the company added.

(Source: Honda Malaysia Website)

Required:

a. Assume that you are the Finance Director of Honda Malaysia. Based on 5-Questions Approach, explain to the board of directors of your company whether it would be appropriate for the company to recall their products.

(10 marks)

b. Briefly discuss the impact of product recall from the perspective of utilitarianism and deontology.

(6 marks)

c. Briefly state 3 **(THREE)** risk management techniques to mitigate various types of business and financial risks in an organisation.

(9 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Fluffy Pets is a specialist retailer of pet-related products and operates stores throughout the Klang Valley. The company is considering diversifying by opening veterinary practices ('the project'), which will operate from dedicated space in all of its stores.

Before the meeting ended, an independent director raised a concern about the project. She said, "All this while our expertise is in the manufacturing and retailing of products. We have never gone into services before. More importantly, our brand has always been about safety first for the pets. Are you sure we can continue to keep that image if we go into this sector? We've been talking too much about the money side and not at all about how this will impact our business. Someone mentioned how would the stock market react to this diversification. I'm more worried about how our customers will react."

The board was silent for a moment as the members pondered this new thought. The chairman broke the silence, "That's a really important issue too. Let's get a committee together to do a risk analysis on this. Perhaps we can do a pilot project first to make sure that we have all the bases covered. More importantly, a good result would go a long way in convincing both the customers and the stock market."

A report was generated by Mei Hua, Fluffy's product development manager who had conducted the due diligence. They recommended two options:
Option 1: Setup their own service centers which require redesign, renovation and hiring of its own veterinarian and other support staff. The original concern regarding their lack of experience can be overcome by ensuring they hire high quality staff with good reputation and at least 8 year experience to lead the project.
Option 2: Partner with an existing veterinary company. The advantage is obviously the experience and existing system.

For the second option, Mei Hua recommended her cousin's company. Her cousin's company has been in business for more than 10 years and have a veterinary degree from a renowned foreign university. Their company has a good reputation in the market although their branches are limited to only 3 clinics in Klang Valley. Mei Hua recommended that for Option 2, Fluffy can cooperate in terms of physical facilities and working capital while her cousin's company can provide the technology and expertise.

Required:

a. Determine the main ethical issues in the above case.

(8 marks)

b. Consider **4 (FOUR)** fundamental ethical principles that Fluffy should consider when making the diversification and investment decisions.

(8 marks)

Continued...

c. Recommend **3 (THREE)** possible courses of actions that Fluffy may take.

(9 marks)

[TOTAL 25 MARKS]

QUESTION 3

a. Effective corporate governance helps to eradicate corruption issues across the organisation. Based on the corporate governance perspective, how does the role of board of directors lessen the incidence of corruption? Provide **5 (FIVE)** points to justify your answer.

(10 marks)

b. In the light of GONE Theory, what could be the contributing factors for increasing number of corruption cases in an organisation? Provide **2 (TWO)** examples for each element of the theory.

(10 marks)

c. Briefly discuss any **5 (FIVE)** suggestions on how professional accountants' expertise and skills may be improved to deal with corruption cases.

(5 marks)

[TOTAL 25 MARKS]

QUESTION 4

a. Explain the requirements in the Malaysian Institute Accountant's By-Laws regarding change of auditors?

(8 marks)

b. Describe 3 **(THREE)** grey areas of accounting where judgements and estimates are required that may cause ethical issues.

(9 marks)

c. Your firm has concluded that the certain payments should be disclosed as a related party transaction in its client's financial statements. The client has refused to include the necessary disclosures as he considers the payments to be of a sensitive nature and does not wish the other shareholders to be aware of them. He has threatened your firm with removal from office if it pursues this issue any further. Decide the appropriate action that your firm should take.

(8 marks)

[TOTAL 25 MARKS]
End of Paper.